



**BOARD RETREAT**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**NOVEMBER 2, 2007**

The Board Retreat was called to order by President Jay Klawon at 8:30 a.m. Friday, November 2, 2007. Roll call was taken with all members of the Board being present. Board members and staff present were:

Jay Klawon, President  
John Paull, Vice President  
Robert Griffith, Member  
Troy McGee, Member  
John Nielsen, Member  
Terry Smith, Member  
Roxanne Minnehan, Executive Director  
Melanie Symons, Legal Counsel  
Scott Miller, Legal Counsel  
Anna Garza, Executive Assistant

**OPEN MEETING**

Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; and Kathy Samson, DC/Education Services Bureau Chief, joined the meeting.

**Public Comment** – No public comment.

**EXECUTIVE DIRECTOR'S REPORT** – Roxanne Minnehan, Executive Director

**Board Member/Management Staff Questionnaire Results:**

Ms. Roxanne Minnehan developed a series of questions which the Board members and management staff completed prior to the Board Retreat. Responses were used in the development of the Retreat agenda. At this time, the Board members and staff went over the questions and discussed the responses. There was discussion that MPERA should interact more with the Governor's office in regards to what information is given to prospective Board members. Some of the Board members discussed what was told to them by the Governor's office at the time of their appointment. The question was posed, "What would be most important to have the Governor's office tell new Board members?" Board members concluded that 1) Disabilities and the amount of time that the Board spends considering them 2) the time commitment and 3) the DC Plan. Some different options for dealing with the disabilities were discussed.

The Board and staff also discussed the importance of having good relationships with all the groups that they deal with. They discussed being proactive and meeting with employee groups to build better relationships. It was discussed that possibly a staff member and a Board member could meet

with the groups to build rapport. There was also some discussion on Robert's Rules of Order and how they apply to the Board.

### **Board Member Responsibilities:**

#### **Governance Principles** – Melanie Symons

Ms. Symons posed the question of what governance is defined as. Some responses were that the Board governs or manages the system or maintains the health of the system. There was discussion regarding when the Governance Principles were initially established at MPERA. It was mentioned that one of MPERA's attorneys put together the Governance Principles because previously there wasn't anything in place. Ms. Symons stated that when reading the Governance Principles she felt there was some information that doesn't necessarily need to be there. It was discussed whether the Board needs the Governance Principles, it was determined that they are necessary. It is an essential reference for the Board to use in determining its' roles and responsibilities. There was discussion regarding the Board's responsibility to set policy regarding asset allocation and other issues that fall under the Board of Investments. It was suggested that management should work on and come up with a proposal for the Board to review and adopt. There was discussion regarding the Board's interaction with management staff and what type of interaction there needs to be. They proposed possibly altering the Governance Principles to reflect current procedures regarding interaction between Board and management staff. It was also mentioned that they need to delineate the type of forum, whether it's in Board meetings or outside of meetings. Ms. Symons stated that she would like everyone to look over the individual Board member responsibilities for discussion at a future meeting.

#### **Fiduciary Responsibility** – Scott Miller

Mr. Miller went over the handout that he provided to the Board members and staff. He went over the fiduciary duties of the board a) duty of care and skill b) duty of caution (diligence) c) duty of diversity and d) duty of loyalty and impartiality. The Board has a duty to the members and to administer the system as fiduciaries for the exclusive benefit of the members. The Board members are not political appointees. Mr. Miller stated that the Board is to administer the systems in accordance with law. He also discussed section 19-2-903(3), MCA, which states that if fraud or error results in a member, survivor, or beneficiary receiving more or less than entitled to, then on the discovery of the error, the Board shall correct the error and, if necessary, equitably adjust the payments. Mr. Miller stated that this only applies if a fraud or error results in an incorrect benefit amount. He then discussed some circumstances and how this applies.

#### **New Board Member Orientation/Training** – Kim Flatow

The Board members were provided the new member orientation packets, which Ms. Flatow referenced. Mr. McGee stated that he would like to see new Board members receive a much smaller packet of information initially containing only the essential information. Ms. Flatow suggested that maybe giving the new Board members a history of the retirement systems might be helpful to them. It was discussed that it would be ideal to provide a new Board member with a condensed version of the Comprehensive Annual Financial Report (CAFR). Ms. Flatow then explained disabilities, deaths and retirement benefit calculations and the different options and how they affect the benefit amounts. There was also some discussion regarding the 'bad boy' clause.

### **Board Meeting Structure** – Roxanne Minnehan

Ms. Minnehan asked the Board members what their opinions were of the current Board meeting structure and agenda layout and if they had any suggestions for changes. It was discussed that in Robert's Rules of Order it states that the meeting chair may not put a motion to vote as long as members wish to debate it. It was proposed that maybe the Board could meet less often and allow staff to prepare more items in regards to their day to day operations. Having the Board meet less often may cause a hardship for members awaiting disability consideration and items of that nature. The general consensus of the Board was to continue holding meetings once a month. The Board then discussed holding Board meetings in other locations in the state to promote better attendance by the different groups. They discussed that they have held meetings in other locations but did not get high attendance at the meetings. Holding the meetings in other locations puts more workload on the staff and more expense to the budget. It was determined that there needs to be better advertisement if meetings are going to be held in other locations. The idea of video conferencing was discussed. The general consensus was that Board members needed to be physically present at each meeting. The Board then discussed the length of the meetings. The time allotted for contested cases to give their testimony needs to be better tracked due to individuals going over their allotted amount of time. It was discussed that the Board prefers eating through the meeting as they do now, as opposed to taking the time to have lunch. This allows for the meetings to move more quickly. Ms. Minnehan brought up the topic of the motions that are put into the Board packets. The Board likes the way they are being prepared ahead of time. The idea of having more options for the Board to choose on the motions was discussed. It was general consensus that there does need to be more options listed on the motions. It was determined that instead of heading the motion with recommended Board motion, change it to read staff recommendation. Some staff believe that it would be appropriate for the Board to have an Audit Committee. The Board agreed and there was some discussion as to when the committee would be put into place. The Board revisited the Board members time commitment in regards to their employers. It was suggested that possibly the Governor's office should supply some information to the prospective Board member's employer regarding the time commitment.

### **Board Education Topics** – Barb Quinn

The Board was provided with a list of education topics in their Board packets. The Board then determined a few more education topics that they would like added to the list. Robert's Rules of Order, Board member liability and Mutual Fund fees were a few of the topics added. It was mentioned that other states determination of disability should be looked into. They discussed that there are no provisions in our law allowing MPERA to terminate a disability in the case where an individual is making so much money that they are having to pay back the money that they are receiving for disability. One of the Board members suggested having actuarial education and terminology discussed each year prior to the Actuarial reports coming out. The Board went through the education topics and prioritized them into groups. It was discussed that the informal consideration process should be posted on MPERA's website. Mr. Smith mentioned that information regarding what a Board member does could also be posted on our website. There was some discussion regarding the Board's interaction with the Employee Investment Advisory Council (EIAC). The Board mentioned that they would like to see the education topic documents put into the Board packets. The staff felt that this would be difficult at times to get the documentation into the packets before they need to be mailed out. It was suggested that maybe an educational item summary could be put into the Executive Director's report. The possibility of doing the education topic on a bi-monthly basis was also discussed. Member service versus

service credit was an education topic that the Board felt should be repeated on a regular basis. The Board would like to be reminded of recusals and disclosures from time to time. They also discussed highlighting in the Director's Report certain issues that may require a Board member's recusal or disclosure statement, so the member's know ahead of time.

Ms. Symons stated that the next few items on the agenda will require immediate attention due to the upcoming deadlines. The Board discussed possibly holding a separate meeting to discuss these issues. Ms. Symons mentioned that we could have some informational items in the December Board packet to give an introduction to these issues.

At this point in the meeting the Board members and staff felt that they were satisfied with what was accomplished and discussed in the meeting and decided to adjourn and table the remaining items for discussion at future meetings.

**DB Plan Structure:**

**Qualification Issues – Interest Rates, Normal Retirement Age, One Time Elections**

**GABA Trigger**

**Definition of Compensation**

**DC Plan Structure:**

**Staggered Vesting for Employer Contributions**

**Reserve Range**

**Expanded Services**

**Member/Employer Education:**

**Other Issues:** None.

**Wrap-up/Comments:** None.

**ADJOURNMENT**

There being no further business before the Board, Mr. Terry Smith moved to adjourn the meeting. The meeting was adjourned at approximately 3:30 p.m. The next regular meeting is scheduled for December 13, 2007, at 8:30 a.m. in Helena.